

# Effect of the Prices Variations of Agriculture Products on Farmers' Incomes

shuzeng Yang

The Rural Socio-economic Survey Organization of Statistical Bureau of Henan Province  
No.79 Hong Zhuan Road  
Zheng Zhou, China  
Email: nddxc@371.net

Lulin Liu

The Rural Socio-economic Survey Organization of Statistical Bureau of Henan Province  
No.79 Hong Zhuan Road  
Zheng Zhou, China  
Email: nddxc@371.net

Since the reformation and opening, affected by supply and demand and agriculture policies, the prices of the main agricultural products has kept rising in Henan Province, and this has also encouraged the rising of agricultural production. All above result in the abundance of agricultural products in the market. However essential changes have taken place in the agricultural products market in Henan Province by 1997, with the characters of the buyers market becoming prominent, the limitation for the market strengthening, and the prices of the main agricultural products dropping. Therefore, the farmers' incomes decrease obviously, and this also affects the increasing rate of the farmers' incomes directly. The reasons for decreasing of gross product prices are analyzed as the follow.

## 1. The rising supply of the agricultural products.

Recently, the investments in the fundamental construction, in agricultural science and technology have made heavier. The capacity to resist natural disaster has also enhanced, so the agricultural product supplies are rising. The statistics show that the production of foodstuff in 1998 comes up to 40 billion kilograms, increasing by 3.0% compared with that in 1997, which was historically highest. Other agricultural products such as oil, vegetable, fruit and meat are also growing. The abundant supplies of agricultural products bring changes in the relation of supply and demand on the market, and the market changed from sellers' market characterized by shortage in 1980s to buyers' market. As a result, low-level superabundance marked by relative surplus and "difficult to sell" appears in the market for main agricultural products.

## 2. The lack of demand.

Limited by many factors, the demand is obviously short in contrast to the dramatically growing supply. Firstly, the agricultural products' reproducing profits poorly and this affects product demanding. Since 1995, the total interests of these reproducing enterprises have been falling, and the decreasing rates are respectively 5.3%, 8%, and 0.9% in 1995, 1996 and 1997. The producing reductions limit the demands for agricultural products. Secondly, influenced by the Southeast Asian Economic Crisis and macro-economic depression, the exports of agricultural products are retarded. The fall of outer demands make the agricultural products exporting difficult, so the products are concentrated in the inner market,

thus a decline of the prices is due. Thirdly, the low prices of some products in the international market makesomeenterprises turn to importing raw materials, buttressing the sales difficulty and the prices down.

### **3. The effect of the national macro policy.**

In 1998, the government reduced the prices of the foodstuff and cotton. The order price of wheat was adjusted from 152 RMB in 1997 to 146 RMB per 100 kilograms, the protective price from 138 RMB to 128 RMB, and the order and protective prices were induced by 6 RMB and 8 RMB respectively. These also motivated the prices fall in the market. At the same time, the decline of the textile producing in Henan has a dramatic impact on the cotton market. From the statistics, the demanding for cotton is descended by 300 million kilograms.

### **4. The service system is not so perfect, and the channels for circulation are not fluent.**

Henan province is a large province characterized by agriculture, and the production of foodstuff cotton, oil and tobacco are ahead. But the shortage of the manufacture intensifies the contradiction of the agricultural products' going. In such a circumstance of the plenteous supply and the superabundance of outturn and demands, too many difficulties are facing to the circulation enterprises.